BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

COMMENTS OF THE NORTHERN CALIFORNIA POWER AGENCY ON THE NOVEMBER 1, 2005 DRAFT REPORT "ACHIEVING A 33% RENEWABLE ENERGY TARGET"

The Northern California Power Agency ("NCPA"), a joint powers agency comprised of publicly owned electric utilities,[1] appreciates the opportunity to provide written comments on the draft report ("Report") entitled *Achieving a 33% Renewable Energy Target*, issued on November 1, 2005. Pursuant to direction from the Commission, and following the workshop sponsored by the Division of Strategic Planning on November 17, 2005, NCPA provides the following comments on the Report.

NCPA and its members, regulated by their local governing authorities, have long been committed to the development of cost-effective renewable energy, including hydroelectric, geothermal, wind, and biomass facilities. NCPA owns and operates geothermal capacity in the Geysers Known Geothermal Resource Area, developed more than 20 years ago. Members of NCPA have incorporated small hydro, landfill gas, and wind projects into their portfolios, have voluntarily set renewable portfolio standard ("RPS") goals, and some offer green pricing programs (which are arguably proxies for resource procurement).

I. THE REPORT'S CONCLUSION THAT PUBLICLY OWNED UTILITIES ARE "BARRIERS" TO ACHIEVING RPS GOALS IS DEVOID OF ANY MEANINGFUL ANALYSIS AND IS NOT WARRANTED.

Throughout the Report, there are suggestions that the failure to include publicly-owned utilities ("POUs") in mandated renewable standards and goals is a problem. For example, the portion of Section I of the draft report entitled *Barriers to Achieving the State's Aggressive Renewable Goals* includes an assertion that one of the barriers to

[1] NCPA members include the cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, and Ukiah, as well as the Port of Oakland, Turlock Irrigation District, and Truckee Donner Public Utility District.

achieving California's existing or proposed goals is the fact that *"…enforced targets are not imposed on POUs…"* and cites a June 2005 California Energy Commission ("CEC") Consultant Report prepared by the KENA-XENERGY Team ("K-X Paper")[2] in support of this assertion.

The findings contained in the K-X Paper are themselves based in large part on a survey of "RPS stakeholders," consisting primarily of the state's three major IOUs, renewable developers, and developer associations. There is no indication that any POUs were included in, or asked to be part of, the survey. As stated in the K-X Paper, *"Our sample is clearly dominated by developers and developer associations, a point that should be remembered when reviewing the interview results."* (K-X Paper, at p. 3.) More importantly, only one (unidentified) IOU stakeholder, out of 21 respondents, suggested that POUs be included in RPS mandates, which would require legislative action. (K-X Paper, at p. 16). Furthermore, and perhaps most importantly, the K-X Paper does not specifically look at POU data as opposed to the KEMA Report (see below), which is also more current.

After raising this artificial issue on an unsubstantial foundation, the Report, in Section V, recommends that legislation should be adopted to cover the state's POUs (see, e.g., Report, Table V-1, at pp. 116-118). The Report contains no data or analysis of the role that POUs currently have in procuring renewable energy resources, or why they constitute a "barrier" to achieving RPS goals.

The Report's credibility on this issue would be greatly enhanced by ignoring the unsupported conclusions of the K-X Paper, and instead acknowledging the empirical data and analysis provided in the November 2005 CEC Consultant (KEMA, Inc.) Report, entitled *"Publicly Owned Electric Utilities and the California Renewable Portfolio Standard: A Summary of Data Collection Activities"* (CEC-300-2005-023) ("KEMA Report"). The KEMA Report, a study specific to POUs' renewable standards, utilizes *actual* data (and not survey responses of non-POU stakeholders) to conclude that:

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[2] Wiser, Ryan, Kevin Porter and Mark Bolinger, *"Preliminary Stakeholder Evaluation of the California Renewables Portfolio Standard."* CEC-300-2005-011.

> *"…self-established POU renewable energy targets do not appear to be grossly out of line with, or substantially more lenient than, the 2-percent-by-2010 target applied to the state's IOUs. In fact… the POUs' internal targets are (on average) more aggressive than those of the IOUs in terms of incremental renewable energy needs in percentage terms."* (KEMA Report, at p. 15.)

POUs are not only currently more aggressive than the state's IOUs in their RPS targets, but are also very active in contracting for renewable energy. As the KEMA Report concludes, "*contrary to popular belief . . . the POUs as a whole have been somewhat more aggressive with their renewable energy contracting in recent years than have the state's IOUs, on average.*" (Id., at p. 20.) NCPA urges the Commission to consider this recent information and weigh it against the conclusion reached in the Report; conclusions that are based on outdated and unfounded information.

Several of the state's POUs currently have renewable portfolios exceeding 20%. For example, according to the KEMA Report, using the "CEC-eligible" requirements, the cities of Alameda, Ukiah and Healdsburg were able to claim over 50% renewable portfolios in 2003 and 2004 (with Alameda's 2004 renewable energy portfolio at 61%). Likewise, the cities of Santa Clara, Lodi and Lompoc all had over 20% renewables for 2003 and 2004. (KEMA Report, Table 2, at p. 10.) Clearly, achieving these renewable levels for 2003 and 2004 are indicative of ongoing efforts, and not "barriers" to achieving the state's goals.

Finally, NCPA believes that the Commission should note that now is not the appropriate time to institute new legislation. (See Report at p. 118.) As the Report acknowledges, "opening a legislative discussion over the 33 percent goal may create some uncertainty for and disrupt achievement of even the 20% requirement unless handled skillfully." (Id.) Furthermore, the Integrated Energy Policy Report ("IEPR") strongly cautions against such a move. Specifically, the IEPR advises that the entire RPS program is in need of a "mid-course review and correction." It recommends that the Energy Commission and CPUC "investigate whether a simpler and more transparent RPS process would better achieve the state's 2010 goals," and further recommends that the CPUC allow for changes to the current program that can be accomplished under existing

RPS law, including inter-utility trades under flexible compliance, the use of shaped products, and more flexible delivery requirements, as well as changes to transmission cost adders." The IEPR recommends that the results of such a review should be submitted to the legislature and the Governor by January 1, 2007. To move forward with any new legislative action relevant to RPS without taking stock of the current situation would result in a waste of valuable resources for all parties involved.

II. THE REPORT MEASURES THE COST AND RATE IMPACTS OF THE VARIOUS 33 PERCENT RPS SCENARIOS ONLY ON THE RATEPAYERS OF THE STATE'S IOUs AND NOT THE POU RATEPAYERS.

Section IV of the Report analyzes the overall cost and retail rate impacts associated with the 33 percent RPS by comparing a base case scenario (procurement costs, including any incremental transmission and wind integration costs) against a business-as-usual rate scenario that assumes the current 20 percent RPS is achieved by 2010. This comparison yields an average rate increase for California IOU ratepayers of 0.57 percent for the period 2011 to 2020, which costs are "offset" by ratepayer savings that accrue in the years 2021 to 2030.

The Report does not attempt to disguise the fact that the costs to POU ratepayers are not included in this equation, nor does it explain why. Since the Report concludes that a POUs should be also be included in a *statewide* program, at a minimum, the Report should be amended to highlight the fact that no POU impacts have been studied, and explain the reason for ignoring the impacts of a 33% RPS on POU ratepayers. Clearly, the size difference alone of most of the state's POUs versus the IOUs would compel a much different final impact result.

Even a cursory sampling of the state's POUs would reveal that the impact on POU ratepayers would be fundamentally different. For example, many POUs are already fully resourced and do not have an expanding rate base. The Report mistakenly concludes that a *statewide* program should be legislated, while failing to expend even minimal efforts on determining what the *statewide* impacts would be. Furthermore, as the recent IEPR noted, smaller POUs may have difficulties in complying with RPS goals because of contractual obligations, relatively small loads, slow growth rates, and the lack of locally available renewable resources. Accordingly, as further evidence that the impacts of a statewide RPS must be considered for all POU and IOU ratepayers, even the IEPR recommended that these POUs should be exempt from any RPS legislation, in order to "avoid overly burdensome requirements for these POUs."

III. CONCLUSION.

There is no doubt that RPS and the development of renewable resources for all of the state's electricity providers is very important. Accordingly, NCPA and its members have taken, and continue to take steps necessary to foster growth of RPS. However, embarking on new legislation at this time is not appropriate, or even helpful in achieving the State's RPS goals. As noted above, the Report fails to properly address not only actual POU RPS goals, but the Report's assessment of statewide costs and rate impacts ignore a significant portion of the state's ratepayers.

NCPA urges the Commission, when considering the recommendations contained in the Report, to recognize that the underlying information, as it pertains to POUs, is simply incorrect, and cannot be substantiated.

December 1, 2005 Respectfully submitted,

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